

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <b>MARION TOWNSHIP</b>		County: <b>CHARLEVOIX</b>
Audit Date: <b>6/30/05</b>	Opinion Date: <b>12/21/05</b>	Date Accountant Report Submitted to State: <b>12/30/05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

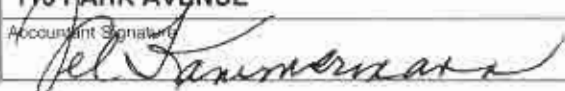
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements: (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>MASON &amp; KAMMERMAN, P.C.</b>			
Street Address <b>110 PARK AVENUE</b>	City <b>CHARLEVOIX</b>	State <b>MI</b>	ZIP <b>49720</b>
Accountant Signature 		Date <b>1-10-06</b>	

MARION TOWNSHIP  
CHARLEVOIX COUNTY, MICHIGAN

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FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
for the year ended June 30, 2005

# Marion Township

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MASON & KAMMERMANN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

December 21, 2005

Members of the Township Board  
Marion Township  
Charlevoix, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Marion Township of Charlevoix, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Marion Township as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards

Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of July 1, 2004, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mason & Kammermann, P.C.*

Mason & Kammermann, P.C.  
Certified Public Accountants

# **Marion Township**

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## **Management Discussion & Analysis December 21, 2005**

This section of Marion Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended June 30, 2005.

### **Overview of the Financial Statements**

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements are in a new format implemented over this fiscal year to comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Marion Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities includes all of the Township's assets and liabilities. All of the current year's revenues and expense are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Marion Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Marion Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the cash basis of accounting.

### **Fund Financial Statements**

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Marion Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Marion Township uses two categories of funds, which are governmental and fiduciary funds.

# **Marion Township**

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## **Management Discussion & Analysis December 21, 2005**

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Marion Township maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Road Fund.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with these budgets.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

# **Marion Township**

## **Management Discussion & Analysis December 21, 2005**

### **Financial Analysis of the Township as a Whole**

The table below shows, in a condensed format, the Township's net assets as of June 30, 2005:

Marion Township Statement of Net Assets	
	Governmental Activities
<b><u>Assets</u></b>	
<b>Current Assets</b>	\$ 523,016
<b>Noncurrent Assets</b>	
Capital Assets, net	<u>45,975</u>
 Total Assets	 568,991
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	<u>2,413</u>
<b>Net Assets</b>	
Invested in Capital Assets, net	45,975
Unrestricted	<u>520,603</u>
 Total Net Assets	 <u>\$ 566,578</u>

The total governmental net assets are \$566,578 for the Township. The township has \$520,603 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

# **Marion Township**

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## **Management Discussion & Analysis December 21, 2005**

The following table shows how activities affected changes in net assets during the fiscal year.

### **Changes in Net Assets For Year Ended June 30, 2005**

	<u>Governmental Activities</u>
<b>Revenues:</b>	
Program Revenues	
Charges for Services	\$ 3,610
General Revenues:	
Property Taxes	148,166
State Shared revenues	99,427
Administrative Fees	17,127
Interest	7,580
Other	<u>7,839</u>
Total Revenues	283,749
<b>Expenses:</b>	
Legislative	34,312
General Government	49,034
Community & Economic Development	7,067
Public Works	62,782
Health & Welfare	<u>33,643</u>
Total Expenses	<u>186,838</u>
Change in net assets	<u><u>\$ 96,911</u></u>

### **Revenue sources and changes**

Total revenue from governmental activities totaled \$283,749. Revenue from governmental activities consists primarily of, 52.22% from property taxes, 35.04% from state revenue sharing, 6.04% from administrative fees. The millage rate for general operations was .9343 mills and 1.4588 for road improvements.

# **Marion Township**

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## **Management Discussion & Analysis December 21, 2005**

### **Expenses**

Using a full accrual basis of accounting, the Township spent \$186,838 on governmental activities. This equates to 18.36% on legislative activities, 26.25% on general government, 3.78% on community and economic development, 33.60% on public works, and 18.01% on health and welfare.

### **Financial Analysis of the Township's Funds**

At June 30, 2005, the Township's governmental funds reported a combined cash of \$430,488, which is approximately \$129,640 more than last year.

### **Capital Assets**

At fiscal year ended June 30, 2005, the Township has \$45,975 in capital assets, net of accumulated depreciation. During the year, the Township invested \$8,557 in equipment.

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land, buildings, cemetery improvements and equipment. The Township uses straight-line depreciation for all depreciable assets.

### **Long-Term Debt**

The Township had no outstanding long-term debt for governmental activities as of June 30, 2005.

### **Requests for Information**

This financial report is designed to provide a general overview of Marion Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Marion Township, 01362 Matchett Road, Charlevoix, Michigan 49720.

# Marion Township

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## Statement of Net Assets June 30, 2005

	Governmental Activities
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash	\$ 430,488
Certificates of Deposit	75,962
Due From Other Funds	1,420
Due From Other Governmental Units	<u>15,146</u>
Total Current Assets	523,016
<b>Noncurrent Assets</b>	
Capital Assets	123,009
Less: Accumulated Depreciation	<u>(77,034)</u>
Total Noncurrent Assets	<u>45,975</u>
Total Assets	<u>568,991</u>
<b><u>Liabilities and Net Assets</u></b>	
<b>Current Liabilities</b>	
Accounts Payable	2,151
Due to Other Funds	<u>262</u>
Total Liabilities	<u>2,413</u>
<b>Net Assets</b>	
Invested in Capital Assets	45,975
Unrestricted	<u>520,603</u>
Total Net Assets	<u>\$ 566,578</u>

The accompanying notes are a part of the financial statements.

# Marion Township

## Statement of Activities For Year Ended June 30, 2005

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities
Governmental Activities					
Legislative	\$ 34,312	\$ -	\$ -	\$ -	\$ (34,312)
General Government	49,034	1,200	-	-	(47,834)
Community & Economic Development	7,067	2,410	-	-	(4,657)
Public Works	62,782	-	-	-	(62,782)
Health & Welfare	33,643	-	-	-	(33,643)
Total Government Activities	<u>\$ 186,838</u>	<u>\$ 3,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(183,228)</u>
General Revenues:					
Taxes:					
Property Taxes					148,166
State Shared Revenues					99,427
Administrative Fees					17,127
Interest					7,580
Other					7,839
Total General Revenues					<u>280,139</u>
Change in Net Assets					96,911
Net Assets - July 1, 2004					<u>469,667</u>
Net Assets - June 30, 2005					<u>\$ 566,578</u>

The accompanying notes are a part of the financial statements.

# Marion Township

## Governmental Funds Balance Sheet June 30, 2005

<u>Assets</u>	<u>General</u>	<u>Road</u>	<u>Total</u>
Cash	\$ 308,740	\$ 121,748	\$ 430,488
Certificates of Deposit	75,962	-	75,962
Due From Other Funds	-	1,420	1,420
Due From Other Governmental Units	15,146	-	15,146
Total Assets	<u>\$ 399,848</u>	<u>\$ 123,168</u>	<u>\$ 523,016</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 2,151	\$ -	\$ 2,151
Due to Other Funds	262	-	262
Total Liabilities	<u>2,413</u>	<u>-</u>	<u>2,413</u>
Fund Equity:			
Fund Balance - Undesignated	<u>397,435</u>	<u>123,168</u>	<u>520,603</u>
Total Liabilities & Fund Equity	<u>\$ 399,848</u>	<u>\$ 123,168</u>	<u>\$ 523,016</u>

The accompanying notes are a part of the financial statements.

# **Marion Township**

## **Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2005**

Total Fund Balances - Governmental Funds	\$	520,603
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the governmental funds  
balance sheet.

Cost of capital assets	123,009
Accumulated depreciation	<u>(77,034)</u>

Total Net Assets - Governmental Activities	\$	<u><u>566,578</u></u>
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The accompanying notes are a part of the financial statements.

# Marion Township

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

### For Year Ended June 30, 2005

	<u>General</u>	<u>Road</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 57,846	\$ 90,320	\$ 148,166
Administrative Fees	17,127	-	17,127
State Shared Revenue	99,427	-	99,427
Fees & Permits	2,410	-	2,410
Interest	6,571	1,009	7,580
Cemetery Lots	1,200	-	1,200
Other	7,782	57	7,839
	<hr/>	<hr/>	<hr/>
Total Revenues	192,363	91,386	283,749
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Current:			
Legislative	34,312	-	34,312
General Government	45,007	-	45,007
Community & Economic Development	7,067	-	7,067
Public Works	11,609	51,173	62,782
Health & Welfare	33,643	-	33,643
Capital Outlay	8,557	-	8,557
	<hr/>	<hr/>	<hr/>
Total Expenditures	140,195	51,173	191,368
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	52,168	40,213	92,381
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - July 1, 2004</b>	345,267	82,955	428,222
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - June 30, 2005</b>	<u>\$ 397,435</u>	<u>\$ 123,168</u>	<u>\$ 520,603</u>

The accompanying notes are a part of the financial statements.

# **Marion Township**

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## **Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds	\$ 92,381
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets  
is allocated over their estimated useful lives

8,557

Depreciation expense is recorded in the statement of activities but not  
the governmental fund financial statements

(4,027)

Changes in Net Assets - Governmental Activities

\$ 96,911

The accompanying notes are a part of the financial statements.

# Marion Township

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## Fiduciary Fund Statement of Net Assets For Year Ended June 30, 2005

### Assets

Cash

\$ 1,158

### Liabilities

Due to Other Funds

\$ 1,158

The accompanying notes are a part of the financial statements.

# Marion Township

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## Fiduciary Fund Statement of Changes in Fiduciary Net Assets For Year Ended June 30, 2005

**Additions:**

Property Tax Collections for Other Governments	\$ 1,453,034
Property Tax Collections for Township	<u>151,300</u>
Total Additions	<u>1,604,334</u>

**Deductions:**

Property Tax Distributions to Other Governments	1,453,034
Property Tax Distributions to Township	<u>151,300</u>
Total Distributions	<u>1,604,334</u>

Change in Net Assets	-
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Fiduciary Net Assets - July 1, 2004	<u>-</u>
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Fiduciary Net Assets - June 30, 2005	<u><u>\$ -</u></u>
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The accompanying notes are a part of the financial statements.

# **Marion Township**

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## **Notes To Financial Statements For Year Ended June 30, 2005**

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Marion Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Marion Township.

#### **A. Reporting Entity**

The Township operates under a Board-Supervisor form of government and provides the following services:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

#### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide

# **Marion Township**

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## **Notes To Financial Statements For Year Ended June 30, 2005**

financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Fund – The Road Fund was established to account for millage voted by the taxpayers for 2004 through 2007 that has been restricted for township road improvements.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are

# Marion Township

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## Notes To Financial Statements For Year Ended June 30, 2005

custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### Cash and Investments

Cash is comprised of the amount of funds in bank accounts.

Investments consisting of certificates of deposit are stated at cost or amortized cost, which approximates market.

#### Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

#### Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings	40 years
Equipment	5 years
Cemetery Improvements	20 years

#### Long-term Obligations

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that appropriates the effect of interest method.

# **Marion Township**

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## **Notes To Financial Statements For Year Ended June 30, 2005**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

As of June 30, 2005, the Township has no outstanding long-term debt.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **Use of Estimates**

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

### **Accounting Change**

As of July 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township’s activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.

# **Marion Township**

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## **Notes To Financial Statements For Year Ended June 30, 2005**

- Capital assets reported on the statement of net assets include assets in the amount of \$123,009, which was the amount previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Township's applicable capital assets.
- The fund financial statements focus on major funds rather than fund types.

The implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with implementation of Statement No. 34 based on GASB No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

### **NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets and Budgetary Accounting**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

# **Marion Township**

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## **Notes To Financial Statements For Year Ended June 30, 2005**

### **Excess of Expenditures over Appropriations in Budgeted Funds**

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Marion Township's budgeted and actual expenditures for the funds budgeted have been shown on a function basis.

During the year, the Township did not incur expenditures in the General and Road Fund in excess of the amounts appropriated.

### **Accumulated Fund Deficits**

The Marion Township had no funds with an accumulated fund balance/retained earnings deficit at June 30, 2005.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Deposits – At June 30, 2005, the carrying amount of the Township's deposits was \$430,488.

Investments – The Township's investments at June 30, 2005 consisted of certificates of deposit totaling \$75,962.

The nature of the investment funds does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Federal Depository Insurance – Of the above balances, \$290,497 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$215,953 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public

# Marion Township

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## Notes To Financial Statements For Year Ended June 30, 2005

funds. The Township may experience significant fluctuations in deposit balances during the year.

### NOTE 4 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied .9343 mills for general operations and 1.4588 for road improvements on state taxable valuation of \$61,917,689 on the 2004 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

### NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of July 1, 2004	Additions	Disposal	Balance of June 30, 2005
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Land and Buildings	66,202	-	-	66,202
Cemetery	37,360	-	-	37,360
Equipment	5,890	8,557	-	14,447
Total Capital Assets	114,452	8,557	-	123,009
Less: Accumulated Depreciation:	(73,007)	(4,027)	-	(77,034)
Total Net Capital Assets	<u>\$ 41,445</u>	<u>\$ 4,530</u>	<u>\$ -</u>	<u>\$ 45,975</u>

Depreciation expense was charged to the Township's functions as follows:

General Government	<u>\$ 4,027</u>
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# **Marion Township**

## **Notes To Financial Statements For Year Ended June 30, 2005**

### **NOTE 6 – RECEIVABLES AND PAYABLES**

Interfund receivables and payable are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Road Fund	\$ 1,420	\$ -
General Fund	-	262
Tax Fund	-	1,158
Total	<u>\$ 1,420</u>	<u>\$ 1,420</u>

### **NOTE 7 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township participates in a general insurance and worker's compensation program used by various municipalities in the state, the Michigan Township Participating Plan. The plan is supported by member premiums and reinsures through commercial companies. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past 3 years.

### **NOTE 8 – CONTRACT COMMITMENTS**

The Township has approved contracts for road improvements totaling approximately \$193,712.

# Marion Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Property Taxes	\$ 57,900	\$ 57,900	\$ 57,846	\$ (54)
Administrative Fees	16,000	16,000	17,127	1,127
State Revenues	95,000	95,000	99,427	4,427
Fees and Permits	2,500	2,500	2,410	(90)
Interest	4,750	4,750	6,571	1,821
Cemetery Lots	800	800	1,200	400
Other	15,000	15,000	7,782	(7,218)
Total Revenues	191,950	191,950	192,363	413
<b>Expenditures:</b>				
<b>Legislative</b>				
<b>Township Board</b>				
Salaries	2,940	2,940	3,255	(315)
Payroll Taxes	3,500	3,500	3,375	125
Dues & Subscriptions	2,000	2,000	1,166	834
Office Supplies	5,000	5,000	4,016	984
Advertising	6,000	6,000	1,598	4,402
Professional Services	10,000	10,000	2,872	7,128
Education and Training	1,500	1,500	685	815
Insurance and Bonds	7,000	7,000	5,839	1,161
Mileage	600	600	356	244
Other Expenses	14,000	14,000	11,150	2,850
Total Legislative	52,540	52,540	34,312	18,228
<b>General Government</b>				
<b>Township Supervisor</b>				
Salary	6,400	6,400	6,400	-
<b>Elections</b>				
Wages & Fees	1,500	1,500	1,564	(64)
<b>Township Assessor</b>				
Salary	17,500	17,500	15,000	2,500
<b>Township Clerk</b>				
Salary	8,800	8,800	8,800	-
<b>Township Board of Review</b>				
Wages & Fees	1,300	1,300	665	635

# Marion Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison For Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Township Treasurer</b>				
Salary, Treasurer	<u>8,800</u>	<u>8,800</u>	<u>8,800</u>	<u>-</u>
<b>Building and Grounds</b>				
Utilities	<u>1,500</u>	<u>1,500</u>	<u>712</u>	<u>788</u>
Repairs & Maintenance	<u>3,000</u>	<u>3,000</u>	<u>1,266</u>	<u>1,734</u>
Total Building & Grounds	<u>4,500</u>	<u>4,500</u>	<u>1,978</u>	<u>2,522</u>
<b>Cemetery</b>				
Repairs & Maintenance	<u>2,500</u>	<u>2,500</u>	<u>1,800</u>	<u>700</u>
<b>Total General Government</b>	<u>51,300</u>	<u>51,300</u>	<u>45,007</u>	<u>6,293</u>
<b>Community &amp; Economic Development Planning &amp; Zoning</b>				
Salary	<u>13,350</u>	<u>13,350</u>	<u>6,397</u>	<u>6,953</u>
Professional Fees	<u>-</u>	<u>-</u>	<u>670</u>	<u>(670)</u>
Total Community & Economic Development	<u>13,350</u>	<u>13,350</u>	<u>7,067</u>	<u>6,283</u>
<b>Public Works</b>				
Road Improvements	<u>15,000</u>	<u>15,000</u>	<u>11,609</u>	<u>3,391</u>
<b>Health &amp; Welfare</b>				
Ambulance & Fire	<u>60,000</u>	<u>60,000</u>	<u>33,643</u>	<u>26,357</u>
<b>Capital Outlay</b>	<u>18,000</u>	<u>18,000</u>	<u>8,557</u>	<u>9,443</u>
Total Expenditures	<u>210,190</u>	<u>210,190</u>	<u>140,195</u>	<u>69,995</u>
<b>Net Change in Fund Balance</b>	<u>(18,240)</u>	<u>(18,240)</u>	<u>52,168</u>	<u>70,408</u>
<b>Fund Balance - July 1, 2004</b>	<u>345,267</u>	<u>345,267</u>	<u>345,267</u>	<u>-</u>
<b>Fund Balance - June 30, 2005</b>	<u>\$ 327,027</u>	<u>\$ 327,027</u>	<u>\$ 397,435</u>	<u>\$ 70,408</u>

# Marion Township

## Statement of Revenues, Expenditures and Changes in Fund Balances Road Fund Budgetary Comparison For Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>				
Taxes				
Property Taxes	\$ 90,300	\$ 90,300	\$ 90,320	\$ 20
Interest	250	250	1,009	759
Other	-	-	57	57
	<u>90,550</u>	<u>90,550</u>	<u>91,386</u>	<u>836</u>
<b>Total Revenues</b>				
	<u>90,550</u>	<u>90,550</u>	<u>91,386</u>	<u>836</u>
<b>Expenditures:</b>				
Road Improvements	60,000	60,000	51,173	8,827
	<u>60,000</u>	<u>60,000</u>	<u>51,173</u>	<u>8,827</u>
<b>Excess Revenues (Expenditures)</b>	30,550	30,550	40,213	9,663
	<u>30,550</u>	<u>30,550</u>	<u>40,213</u>	<u>9,663</u>
<b>Fund Balance - July 1, 2004</b>	82,955	82,955	82,955	-
	<u>82,955</u>	<u>82,955</u>	<u>82,955</u>	<u>-</u>
<b>Fund Balance - June 30, 2005</b>	\$ 113,505	\$ 113,505	\$ 123,168	\$ 9,663
	<u>\$ 113,505</u>	<u>\$ 113,505</u>	<u>\$ 123,168</u>	<u>\$ 9,663</u>

**MASON & KAMMERMANN, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON  
VICTORIA L. KAMMERMANN

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Telephone (231) 547-4911  
Facsimile (231) 547-5911

December 21, 2005

To the Board of Trustees  
Marion Township

We have audited the financial statements of Marion Township for the year ended June 30, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated, July 25, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Marion Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. However, we recommend canceled checks be included in bank statements to provide proof of payment to vendors.

**Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marion Township are described in Note 1 to the financial statements. The Governmental Accounting Standards Board issued a new reporting model for governmental units, which was implemented for the fiscal year ended June 30, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year-end adjustments to the final presentation format. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

## **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Marion Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Mason & Kammermann, P.C.  
Certified Public Accountants